



PUBLIC DISCLOSURE

April 21, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Federal Savings & Loan Association
Charter Number 702753

5 East Main Street
Centerburg, OH 43011

Office of the Comptroller of the Currency

West Lake Center
4555 Lake Forest Drive, Suite 520
Blue Ash, OH 45242-3760

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

First Federal Savings & Loan Association's (First Federal or the thrift) lending performance reflects a satisfactory response to community credit needs.

- The loan-to-deposit (LTD) ratio is reasonable.
- The thrift originated a majority of its loans inside its assessment area (AA).
- Lending to borrowers of different income levels reflects excellent penetration.

SCOPE OF EXAMINATION

We conducted a Community Reinvestment Act (CRA) evaluation to assess the thrift's record of meeting the credit needs of its community, including low- and moderate-income areas. We used small savings association evaluation procedures to evaluate the thrift's performance under the lending test. The lending test includes loans originated from January 1, 2012 to December 31, 2013, the lending evaluation period.

Residential real estate loans are the thrift's primary lending product and are considered foremost in this CRA evaluation. To perform our analysis of lending, we included all of the thrift's residential real estate loans originated during the evaluation period. We used the 2010 U.S. Census data to analyze performance.

DESCRIPTION OF INSTITUTION

First Federal is a mutual savings and loan association with its main and only office located in Centerburg, Ohio, in an upper-income census tract. The thrift reported total assets of \$25.5 million as of December 31, 2013. The thrift offers home, farm and consumer loans, with lending focused primarily on home loans. Deposit services are limited to savings and other time deposits. First Federal does not offer services through automated teller machines (ATMs).

Table 1 summarizes First Federal's loan originations for 2012 and 2013. The thrift did not purchase or sell any loans.

Table 1 – Loan Activity				
Originations	#	%	\$ Amount (000s)	%
Home Loans	36	80.0	3,737	96.6
Agricultural Loans	0	0.0	0	0.0
Business Loans	0	0.0	0	0.0
Consumer Loans	9	20.0	130	3.4
Total Loans	45	100.0%	\$3,867	100.0%

Source: Thrift's record of loans originated during 2012 and 2013 (internally prepared report).

First Federal's previous CRA evaluation was conducted as of May 15, 2008 and resulted in a "Satisfactory" rating. Presently, there are no legal or financial impediments to First Federal's ability to meet the credit needs in its AAs.

DESCRIPTION OF ASSESSMENT AREA

First Federal has designated one AA in a non-Metropolitan Statistical Area (MSA). This AA consists of two census tracts (one middle-income and one upper-income) in the southwestern corner of Knox County and one census tract (middle-income) in southeastern Morrow County. The census tract in Morrow County is located in the Columbus, OH MSA 18140. The thrift does a moderate level of lending in this census tract. Additionally, this census tract does not extend substantially beyond the non-MSA boundary of Knox County. Therefore, it was included in the non-MSA AA. The entire AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income areas. Thrift management selected this AA based on the thrift's targeted lending territory and office location.

The AA is rural and remains a "bedroom community" of the greater Columbus metropolitan area with many residents commuting to Columbus, Ohio for work. The AA has a stable economy and employment has improved in recent years. The AA has experienced continued growth during the evaluation period. According to the Ohio Labor Market Information as of February 2014, the national and State of Ohio unemployment rates were 7.0 percent for each respectively. The unemployment rate for Knox County was 6.5 percent for the same period. Manufacturing, services, trades, and government dominate the employment market. The village of Centerburg is the largest population center in the AA. Primary employers in Knox County include Aerial Corporation, Rolls Royce Energy Systems, Inc., Knox Community Hospital, Kenyon College, and Jeld-Wen.

Competition in the AA is strong with many financial institutions including national banks, savings and loans, and branches of large financial institutions. According to the June 30, 2013 Deposit Market Share Report from the Federal Deposit Insurance Corporation (FDIC), First Federal had approximately a 3.0 percent deposit market share in Knox County and ranked 7th of 11 financial institutions.

Community contacts indicate that the AA's primary credit needs are for family housing and a high and growing need for senior housing. According to the contacts, local financial institutions are addressing the needs.

According to the 2010 Census data, the population of the AA in Knox County is 9,448; consisting of 2,389 families and the 2013 Department of Housing and Urban Development (HUD) adjusted median family income is \$53,000. Of the families in the AA, 12.0 percent are low-income families, 15.9 percent are moderate-income, 18.5 percent are middle-income and 53.6 percent are upper-income families. Based on 2013

Census data, 9.7 percent of households in the AA were below the poverty level, 25.2 percent received social security benefits, and 0.6 percent received public assistance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on the criteria for the CRA lending test, this thrift’s lending performance is satisfactory.

Loan-to-Deposit Ratio

First Federal’s LTD ratio is reasonable and meets the standards for satisfactory performance. The thrift’s LTD ratio during the evaluation period ranged from a high of 92.6 percent as of December 31, 2009, to a low of 61.7 percent as of September 30, 2013. The average LTD ratio over the last 23 quarters since the prior CRA evaluation (June 30, 2008 to December 31, 2013) of 77.9 percent is reasonable and compares with the average LTD ratio of its peer group (similar sized central Ohio banks and thrifts), which was 75.6 percent.

Lending in Assessment Area

First Federal’s record of lending within their AA is satisfactory with a majority of their lending inside the AA. Table 2 details First Federal’s lending activity during the evaluation period by the number of loans originated and dollar volume.

Table 2 – Lending in the AA										
Loan Type	Number of Loans					Dollars of Loans (000's omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	26	72%	10	28%	36	2,465	66%	1,272	34%	3,737

Source: First Federal's home mortgage loan originations from January 1, 2012 through December 31, 2013.

Lending to Borrowers of Different Incomes

First Federal’s record of lending to borrowers of different income levels reflects excellent penetration. As shown in Table 3 below, the thrift’s distribution of lending to low- and moderate-income borrowers significantly exceeds the percentage of loans originated by AA lenders.

Table 3 Borrower Distribution of Residential Real Estate Loans in the AA			
Borrower Income Level	% of Total Thrift Loans	% of Loans by AA Lenders	% of AA Families by Income Level
Low	7.7%	2.2%	12.0%
Moderate	26.9%	12.3%	15.9%
Middle	23.1%	23.3%	18.5%
Upper	42.3%	49.0%	53.6%
Income not Available	0.00%	13.2%	0.0%

Source: 2010 U.S. Census data and the thrift's home mortgage loan data for 2012 and 2013.

Geographic Distribution of Loans

Given there are no low- or moderate-income census tracts within the thrift's AA, an analysis of the thrift's geographic distribution of lending is not meaningful. All of the geographies in the AA are middle- and upper-income census tracts. The home loans originated in 2012 and 2013 revealed reasonable dispersion throughout the AA as loans were made in all geographies in the thrift's AA.

Responses to Complaints

First Federal has not received any complaints about its performance in helping to meet AA credit needs during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c) in determining a Federal Savings Association's (FSA's) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.